

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 PA-01 CTME-00 AID-05 SS-15 STR-07
ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 NSCE-00
SSO-00 ICAE-00 INRE-00 AF-10 ARA-10 EA-10 NEA-10
/137 W

-----005379 220011Z /70

O 212355Z APR 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 7173
INFO AMCONSUL TORONTO POUCH

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E.O. 11652: N/A
TAGS: ETRD, CA
SUBJECT: EXPANSION OF DUTY REMISSION SCHEME FOR AUTO PARTS

REF:A.(77)OTTAWA 10628, B. STATE 31291, C. OTTAWA 1229
D. PLACKE-AHMAD TELECON OF APRIL 21

1. IN RESPONSE TO QUESTION IN PARLIAMENT APRIL 20,
INDUSTRY TRADE AND COMMERCE MINISTER HORNER STATED
GOC WAS PREPARING TO IMPLEMENT EXPANDED DUTY REMISSION
SCHEME AND WOULD PROCEED TO WORK OUT AGREEMENTS COMPANY
BY COMPANY. MOVING QUICKLY TO FOLLOW-UP ON MINISTER'S
STATEMENT, ITC'S GHERSON INFORMED EMBASSY APRIL 21 THAT
GOC HAD DEVELOPED SCHEME WHICH WOULD ALSO BE APPLIED TO
TRADE WITH COMPANIES OPERATING IN UNITED STATES. GOC,
THEREFORE, SUGGESTED WEEK OF APRIL 24 FOR CONSULTATIONS
REQUESTED BY U.S. (REF B).

2. IN DISCUSSION WITH GHERSON, WE NOTED THAT REVERSAL
OF PREVIOUS GOC POSITION -- THAT SCHEME WOULD NOT BE
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APPLIED TO TRADE INVOLVING U.S. (REFS A AND C) -- WOULD
REVIVE U.S. CONCERNS ABOUT POSSIBLE SUBSIDY ELEMENT
WHICH COULD HAVE COUNTERVAIL IMPLICATIONS. GHERSON
REPLIED THAT GOC BELIEVED THERE COULD BE MUTUAL ADVANTAGE
TO SCHEME. HE ADDED THAT IT WOULD HAVE BEEN DISCRIMINA-
TORY TO EXCLUDE U.S. TRADE AND THAT CANADA TOO MIGHT HAVE
COMPLAINT ABOUT VOLKSWAGENS FROM NEW PLANT IN PENNSYLVANIA

ENTERING CANADA, IN LIGHT OF INVESTMENT SUBSIDIES
ENJOYED BY THAT FACILITY, UNLESS SOME BASIS FOR RECIPRO-
CITY WERE FOUND.

3. GHERSON SAID GOC WOULD USE CONSULTATION TO EXPLAIN
ELEMENTS AND EFFECTS OF ITS DUTY REMISSION SCHEME AND
WOULD BE PREPARED TO RESPOND TO U.S. QUESTIONS AND RECEIVE
U.S. VIEWS. HE REITERATED HOPE THAT U.S. WOULD FIND
MUTUAL ADVANTAGE IN SCHEME AND "WOULD NOT STAND ON
PRINCIPLE".

4. IN RELATED DEVELOPMENT, APRIL 21 GLOBE AND MAIL REPORTED
HORNER STATEMENT THAT GOC IS CONSIDERING ESTABLISHING
SPECIAL AUTO INVESTMENT CORPORATION TO MAKE OR GUARANTEE
LOANS TO AUTO PARTS INDUSTRY. HORNER SAID REPORT FROM
SPECIAL AUTO INDUSTRY COMMITTEE DUE JUNE 20 WHICH COULD
PROVIDE BASIS FOR DECISION ON LOAN MECHANISM, BUT HE
COULD NOT SAY WHEN DECISION MIGHT BE MADE.

5. COMMENT: GOC APPEARS TO HAVE CONCLUDED THAT AUTO
DUTY REMISSION SCHEME WHICH OMITTED UNITED STATES WOULD
BE OF LITTLE PRACTICAL VALUE AND HAS BEEN DRIVEN BY
EFFECTIVE PRESSURE FROM PARTS INDUSTRY TO CONFRONT
EXPECTED U.S. OPPOSITION. EMBASSY UNDERSTANDS GOC HAS
HAD EXTENSIVE DISCUSSIONS WITH VOLKSWAGEN ABOUT PARTS
PRODUCTION IN CANADA -- WHICH PRESUMABLY WOULD FEED ITS
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NEW U.S. FACILITY -- IN RELATION TO DUTY REMISSIONS ON
AUTO IMPORTS. DISCUSSIONS ALSO UNDERSTOOD TO HAVE TAKEN
PLACE WITH RENAULT (WHICH ONCE HAD ASSEMBLY PLANT IN
QUEBEC) AND WITH SEVERAL JAPANESE COMPANIES. ENDERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SPARE PARTS, COMMODITY AGREEMENTS, AUTOMOBILES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Film Number: D780171-0972
Format: TEL
From: OTTAWA
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1978/newtext/t19780431/aaaaazql.tel
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Litigation Codes:
Litigation History:
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